

LEGISLATIVE RESEARCH COMMISSION

ALCOHOLIC BEVERAGE TAXATION



REPORT TO THE
1983 GENERAL ASSEMBLY
OF NORTH CAROLINA

LEGISLATIVE RESEARCH COMMISSION

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OF NORTH CAROLINA

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1981-83

LEGISLATIVE RESEARCH COMMISSION MEMBERSHIP

House Speaker Liston B. Ramsey
Chairman

Representative Chris S. Barker, Jr.

Representative John T. Church

Representative Gordon H. Greenwood

Representative John J. Hunt

Representative Lura S. Tally

Senate President Pro Tempore
W. Craig Lawing, Chairman

Senator Henson P. Barnes

Senator Carolyn Mathis

Senator William D. Mills

Senator Russell Walker

Senator Robert W. Wynne

PREFACE

The Legislative Research Commission, authorized by Article 6B of Chapter 120 of the General Statutes, is a general purpose study group. The Commission is co-chaired by the Speaker of the House and the President Pro Tempore of the Senate and has five additional members appointed from each house of the General Assembly. Among the Commission's duties is that of making or causing to be made, upon the direction of the General Assembly, "such studies of and investigation into governmental agencies and institutions and matters of public policy as will aid the General Assembly in performing its duties in the most efficient and effective manner" (G.S. 120-30.17(1)).

At the direction of the 1981 General Assembly, the Legislative Research Commission has undertaken studies of numerous subjects. These studies were grouped into broad categories and each member of the Commission was given the responsibility for one category of study. The Co-Chairmen of the Legislative Research Commission, under the authority of General Statutes 120-30.10(b) and (c), appointed committees consisting of members of the General Assembly and the public to conduct the studies. Co-Chairmen, one from each house of the General Assembly, were designated for each committee.

The study of the taxation of alcoholic beverages was authorized by Resolution 61 of the 1981 Session Laws. That resolution states that the Commission should look to Senate Joint Resolution 497 for guidance on the scope of the study.

Section 1 of SJR 497 reads:

That the Legislative Research Commission be directed to study the laws that pertain to the taxation of alcoholic beverages including beer, fortified and unfortified wine and spirituous liquors. Such study shall include consideration of increasing the revenues (taxes and profits) allocated to alcoholism education, research and rehabilitation by (a) increasing the allocation of currently collected revenues or (b) increasing the revenues on some or all types of beverages, or both; and further, the study shall include consideration of revenues that are being used on a local basis including funds used for law enforcement purposes.

The Legislative Research Commission grouped this study in its Revenue and Recreation area under the direction of Senator Robert W. Wynne. The study committee was chaired by Representative Ralph Edwards and Senator Carolyn Mathis. The full membership of the committee is listed in Appendix A of this report. Resolution 61 and Senate Joint Resolution 497 are included as Appendix B.

COMMITTEE PROCEEDINGS

The Legislative Research Commission's Study Committee on Alcoholic Beverage Taxation met six times. At its first meeting on February 17, 1982, Lynn Gunn, Staff Director, Mental Health Study Commission, addressed the committee. She stated that the Commission had looked at the disbursement of ABC revenue but decided its authorizing legislation prohibited it from making recommendations regarding the applicable laws. Therefore, that Commission recommended that the Legislative Research Commission study the subject.

The committee also heard from James Emmert, Director, Charlotte Alcohol Treatment Center, speaking for the North Carolina Coalition of Alcoholism and Drug Abuse Groups. He estimated that alcoholism and drug abuse cost North Carolina over \$1,300,000,000 each year. He stated that the system of community recovery programs he represents can help in the rehabilitation of these people, but funds are needed to support these programs. Emmert thought that these funds should be provided through taxes on alcoholic beverages -- that those who drink should support "recovery efforts on a pay-as-you-go basis."

William Hester, Administrator of the ABC Commission, addressed the committee on moneys presently earmarked for rehabilitation. These moneys are: (1) the "nickel a bottle" money §G.S. 18B-804(b)(6)§; the ten dollar mixed drink tax

G.S. 18B-804(b)(3)7; and the "seven percent" money G.S. 18B-805(c)(3)7. He noted that Mecklenburg County and Wake County are the two biggest contributors.

The committee heard from Steve Hicks, Deputy Director for Alcoholism and Drugs, Division of Mental Health, Mental Retardation, and Substance Abuse Services, Department of Human Resources, at its April 28, 1982, meeting. He spoke of federal funding cuts in the area of alcoholism rehabilitation services. These cuts, totaling \$1,800,000 over the next four years, will be passed on to community programs beginning in fiscal year 1982-83. In addition to the earmarked funds William Hester mentioned at the last meeting, Hicks pointed out that over \$3,000,000 is collected each year from DUI school referrals. This money goes to these schools and to related alcohol and drug programs. The larger programs generate enough funds to cover not only the cost of the school but also to contribute to the other programs.

Much discussion at this meeting involved the "seven percent" money. G.S. 18B-805(c)(3) requires local boards to use at least seven percent of their gross profits for treatment of alcoholism or for research or education on alcohol abuse. Of the 139 local boards, however, 84 are exempt from this requirement by local act. The committee heard from both the County Commissioners' Association and the

League of Municipalities who opposed repealing these local acts. Both organizations argued that discretion on how this money is spent should remain at the local level, that the exempt cities and counties are in fact spending money for alcohol rehabilitation, and that a time of tight budgets is no time to earmark funds that have traditionally gone to county or city general funds. The committee was concerned that some boards contribute while others are exempt, apparently without reason except for the local acts. The committee also questioned the assertion that exempt boards in fact contribute the equivalent of the seven percent money to rehabilitation services. The County Commissioners' Association and the League of Municipalities were asked to supply more information on this issue.

At the third meeting on September 15, 1982, the committee heard a presentation by Dr. Dan Beauchamp, Department of Health Policy and Administration, University of North Carolina at Chapel Hill. He endorsed the concept of increased taxation of alcoholic beverages as a means of preventing alcoholism and raising money for rehabilitation services. Beauchamp pointed out that between fifteen and twenty percent of those persons who drink consume seventy to eighty percent of all alcohol consumed. In urging the committee to recommend a tax increase, he noted, "Because only half of the citizens of our state drink, this means that the

major bulk of this tax would be paid by heavy consumers of alcohol, a group which numbers less than ten to fifteen percent of the total population." He added that policy should demand that these heavy drinkers bear the major tax burden.

Jerry Williams, Executive Director of the North Carolina Restaurant Association, opposed a tax increase. He said taxation of alcoholic beverages has reached a point of diminishing returns. An increase in the taxes would cut consumption, reduce sales tax revenues, and generally have adverse effects on the economy, he said.

Joseph Wall, speaking on behalf of the North Carolina Association of ABC Boards, urged the committee to make sure that, if taxes are increased, at least some of the revenue is returned to the counties and cities. He noted that during the 1982 short session a bailment surcharge was added to the price of liquor. Due to that increase and the current level of tax on liquor, the Association opposes an increase in liquor taxes.

Several people also cautioned the committee about raising the price of alcoholic beverages to a point that this state cannot compete with surrounding states. If citizens stop buying in North Carolina, they warned, revenues will drop.

At its October 15, 1982, meeting, discussion of the tax increases continued. Representative Parks Helms addressed the committee on financing of alcoholism rehabilitation services. He urged "that the public alcohol-drug system be financed primarily through revenues derived from people who consume alcoholic beverages." He stressed six points to the committee:

(1) Alcoholism and drug abuse services deserve a higher priority in community mental health budgets than they presently receive.

(2) In 1978 the General Assembly decriminalized public drunkenness but has not yet provided funds to care for these people.

(3) The Hunt Administration has made alcoholism one of its three top human services priorities.

(4) Fifteen to twenty percent of drinkers consume seventy to eighty percent of all alcoholic beverages consumed (a point made earlier by Beauchamp).

(5) Any new tax revenue should be distributed to counties on a per capita basis.

(6) Any new money should finance "certain specific types of services which have proven merit."

Sneed High, representing the North Carolina Association for Wine, urged the committee to look closely at the total revenue alcoholic beverages provide to the state. He said,

when viewed as a whole, the alcoholic beverage industry is carrying its fair share of taxes. He also expressed serious reservations with earmarking of funds. Earmarking removes this money from the usual budget process so expenditures are not reviewed, he said.

Ruffin Bailey, speaking for the North Carolina Beer Wholesalers Association, agreed with High's assessment of earmarked funds. He also said the present level of taxation is adequate, but revenues are not being spent wisely.

Scott Mall, Government Affairs Manager, Miller Brewing Company, also spoke against the earmarking concept. He said no more money should be earmarked because not enough is known about how funds are spent currently. He also noted that North Carolina's excise tax on beer is the second highest in the country. This state is home to breweries and a can manufacturing plant. In light of the revenue beer generates now, Mall argued that a tax increase is not justified.

The committee heard reports on two other topics at this meeting. The County Commissioners Association and the League of Municipalities gave reports on counties and cities that are exempt from the seven percent money. The thrust of these reports was that some clearly contribute funds in lieu of the seven percent money, but most do not.

The ABC Commission and the Department of Human Resources gave reports on ABC revenues. The Commission presented its 1981-82 audits, including receipts of earmarked funds. The

committee expressed serious concern about accountability for the use of these funds. G.S. 18B-805(h) will require reports at the end of the 1982-83 fiscal year, but the committee wanted to know how these funds were spent during 1981-82. The Department of Human Resources obtained budget data and mailed responses to members before the last meeting.

The final session was held on November 17, 1982. The committee spent that meeting deliberating over the mass of evidence it had received. Two major proposals were rejected. A motion to raise the excise tax on beer died without debate. A motion to require all local boards to contribute at least seven percent of their profits for rehabilitation also failed. The committee was concerned about local effects of repealing so many local acts.

The findings and recommendations approved by the committee are reported in the following sections of this report.

FINDINGS

1. The committee finds that alcoholism is a serious problem in North Carolina. Presentations by James Emmert, Steve Hicks, Dan Beauchamp, and others pointed to the tremendous costs to society that alcoholism brings. Emmert said about 250,000 North Carolinians are alcoholics. He pointed out that an average of four other people are directly affected in their daily lives by each alcoholic, meaning over a million people -- one fifth of the state's population -- are affected. The committee heard testimony that alcoholism and drug abuse together cost the state over \$1,300,000,000 a year.

2. The committee finds that not enough attention is paid to alcoholism rehabilitation and treatment or alcohol abuse education. Steve Hicks pointed out that federal budget cuts will result in a reduction in service capacity of about 5,000 alcoholism clients per year, plus a denial of prevention services to thousands of people who have previously received them. He said inflation has also taken its toll. He and Representative Parks Helms both stated that when public drunkenness was decriminalized no additional funds were appropriated to care for those persons in non-correctional facilities.

3. The committee finds that an increase in the price of alcoholic beverages will (1) produce more revenue that could be used for rehabilitation efforts and (2) serve as a

deterrent to the consumption of alcohol. The price of alcoholic beverages should not be priced so low as to attract consumers simply because the beverages are so inexpensive. Further, as long as their price is not so high that most people cannot afford them, alcoholic beverages can be priced at a level that will generate funds for alcoholism rehabilitation. Dan Beauchamp, Parks Helms, and others spoke in favor of a "user tax" so that alcoholism programs will be funded by alcohol sales.

RECOMMENDATIONS

1. The committee recommends an increase in the excise tax on wine of five cents per liter for unfortified wine and ten cents per liter for fortified wine. The revenue will be distributed on a per capita basis to all counties and earmarked for alcoholism rehabilitation services, and the counties will have to account for how the money is spent.

2. The committee was very concerned about how earmarked funds are currently being spent. The accountability provisions of G.S. 18B-805(h) will first be effective at the end of the 1982-83 fiscal year. The committee, therefore, recommends that the Department of Human Resources look carefully at the reports filed at the end of this fiscal year. Those reports should allow a person to trace exactly where and how earmarked funds are spent. The Department should report to the 1984 session of the General Assembly on whether the statute is effective in allowing detailed tracing or if changes are needed to require more exact or detailed reports.

3. The committee recommends that its life be extended under the name "The Committee to Study Revenues for Alcoholism Rehabilitation." Between the 1983 and 1985 sessions of the General Assembly, the committee should look at:

- (a) the most desirable means of delivering rehabilitation services to alcoholics,
- (b) permanent retail ABC permits to consider whether these permits should be issued

annually, with the resulting
revenue earmarked for rehabilitation,
and

(c) reporting and tracing of earmarked funds.

4. The committee recognized the complexity of the ABC tax statutes. The committee, therefore, recommends that the Legislative Research Commission's Revenue Laws Study Committee consider simplification of the ABC tax statutes.

5. The committee requests that the Legislative Research Commission ask the Lieutenant Governor and the Speaker of the House of Representatives to allow a member of this study committee to give a brief oral presentation to the Senate and the House on the committee findings. The committee was concerned that some Research Commission reports are not read, and the committee wanted someone to have the opportunity to brief the members of the General Assembly on what the committee did. The committee further suggests that, in January when the sessions are short, other studies might be similarly presented so that members could get a summary of what is fully detailed in each Research Commission report.

A BILL TO BE ENTITLED

AN ACT TO INCREASE THE EXCISE TAX ON WINE AND EARMARK THE
RESULTING REVENUE FOR ALCOHOLISM REHABILITATION.

The General Assembly of North Carolina enacts:

Section 1. The first sentence of G.S. 105-113.86(o) is amended by deleting the phrase "twenty-one cents (21¢)" and substituting the phrase "twenty-six cents (26¢)".

Sec. 2. The first sentence of G.S. 105-113.86(p) is amended by deleting the word "From" and substituting the phrase "Except as provided in subsection (q), from".

Sec. 3. G.S. 105-113.86 is amended by adding a new subsection to read:

"(q) Five cents (5¢) per liter of the twenty-six cents (26¢) per liter tax on unfortified wine levied under subsection (o), and ten cents (10¢) per liter of the thirty-four cents (34¢) per liter tax on fortified wine levied under G.S. 105-113.95 shall be distributed annually to all counties on a per capita basis according to the most recent annual estimate of population certified to the Secretary of Revenue by the State Budget Officer. The Secretary shall make this distribution within 60 days after September 30 of each year. The funds shall be spent for the purposes and shall be subject to the reporting requirements specified in G.S. 18B-805(h)."

Sec. 4. G.S. 105-113.95 is amended by deleting the phrase "twenty-four cents (24¢)" and substituting the phrase "thirty-four cents (34¢)".

Sec. 5. This act shall become effective October 1, 1983, and the Secretary of Revenue shall make the first distribution required under G.S. 105-113.86(q) within 60 days after September 30, 1984.

A JOINT RESOLUTION REQUIRING THE DEPARTMENT OF HUMAN RESOURCES
TO STUDY REPORTS REGARDING CERTAIN ALCOHOLISM FUNDS.

Whereas the Legislative Research Commission's Study Committee on Alcoholic Beverage Taxation looked at tracing alcoholism funds and was very concerned about knowing how and where those funds were spent; and

Whereas the first set of reports required by G.S. 18B-805(h) are due at the end of the 1982-83 fiscal year; and

Whereas the General Assembly is interested in how the new reporting procedure operates so it may make any changes necessary to make it effective; now therefore

Be it resolved by the House of Representatives, the Senate concurring:

Section 1. The Department of Human Resources shall study the set of reports filed pursuant to G.S. 18B-805(h) at the end of the 1982-83 fiscal year. The Department shall examine the reports and answer the following questions:

- (1) Are the reports clear and understandable by the average citizen?
- (2) Are the reports complete?
- (3) Were the reports filed within a reasonable time after the end of the fiscal year?

(4) If an average citizen wanted to trace how and where specific funds were spent, would the reports allow him to do so?

Sec. 2. To study these reports, the Department need not travel to each county seat, nor is it required to study all reports filed. The Department shall obtain as many reports as it reasonably can in the most practicable manner available, including seeking assistance from other organizations and agencies such as area mental health centers.

Sec. 3. The Department shall evaluate the reports and report its findings along with any suggested changes to the General Assembly not later than the first day of the 1984 session of the General Assembly.

Sec. 4. This resolution is effective upon ratification.

A JOINT RESOLUTION REGARDING THE STUDY OF ALCOHOLISM FUNDS.

Be it resolved by the House of Representatives, the Senate concurring:

Section 1. The Legislative Research Commission may continue to study revenues for alcoholism rehabilitation.

The Commission may specifically consider:

- (1) the most desirable means of delivering rehabilitation services to alcoholics,
- (2) whether permanent retail ABC permits should be issued annually with the resulting fees used for rehabilitation, and
- (3) the reporting and tracing of funds earmarked for alcoholism rehabilitation.

Sec. 2. The Legislative Research Commission's Revenue Laws Study Committee may study simplification of the ABC tax statutes.

Sec. 3. The Commission may report its findings and recommendations to the 1985 General Assembly.

Sec. 4. This resolution is effective upon ratification.

COMMITTEE ON
ALCOHOLIC BEVERAGE TAXATION

Membership List

Senator Carolyn Mathis (Senate Co-Chairman) P. O. Box 30055 Charlotte, North Carolina 28230	O: 704/379-7131 H: 704/554-6535
Rep. Ralph P. Edwards (House Co-Chairman) 204 Fisher Park Circle Greensboro, North Carolina 27401	O: 919/854-2750 H: 919/274-9093
Rep. E. Graham Bell 318 South Street Gastonia, North Carolina 28052	O: 704/867-5391 H: 704/864-0093
Senator George W. Marion, Jr. P. O. Box 618 Dobson, North Carolina 27017	O: 919/386-8272 H: 919/386-8745
Senator James D. McDuffie 819 Eastway Drive Charlotte, North Carolina 28205	O: 704/568-6997 H: 704/537-1787
Rep. Paul Pulley 4720 Farrington Road Durham, North Carolina 27707	O: 919/682-9591 H: 919/439-4986
Senator Robert S. Swain 612 Northwestern Bank Building Asheville, North Carolina 28801	O: 704/255-7703 H: 704/298-5970
Rep. Richard Wright 6 Orange Street Tabor City, North Carolina 28463	O: 919/653-3682 H: 919/653-4529
<u>LRC Member:</u> Senator Robert W. Wynne P. O. Box 12195 Raleigh, North Carolina 27605	O: 919/755-1480 H: 919/829-9094
Professional Staff: A. W. Turner, Jr. Legislative Services Office Legislative Office Building Raleigh, North Carolina 27611	O: 919/733-6660
Clerical Staff: Jane A. Holliday State Legislative Building Raleigh, North Carolina 27611	O: 919/733-5875

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 1981
RATIFIED BILL

RESOLUTION 61

HOUSE JOINT RESOLUTION 1292

A JOINT RESOLUTION AUTHORIZING STUDIES BY THE LEGISLATIVE RESEARCH COMMISSION.

Be it resolved by the House of Representatives, the Senate concurring:

Section 1. The Legislative Research Commission may study the topics listed below. Listed with each topic is the 1981 bill or resolution that originally proposed the study and the name of the sponsor. The Commission may consider the original bill or resolution in determining the nature, scope and aspects of the study. The topics are:

- (1) Continuation of study of revenue laws (H.J.R. 15 -- Lilley).
- (2) Continuation of study on problems of aging (H.J.R. 48 -- Messer/S.J.R. 37 -- Gray).
- (3) Day care (H.J.R. 223 -- Brennan).
- (4) Civil rights compliance of non-State institutions receiving State funds (H.J.R. 344 -- Spaulding).
- (5) Social services and public assistance (H.B. 393 -- P. Hunt).
- (6) The need for new health occupational licensing boards (H.B. 477 -- Lancaster/S.B. 285 -- Jenkins).
- (7) Matters related to public education, including:

a. The feasibility of making the 12th grade optional in the public schools (H.J.R. 890 -- Tally).

b. Continue study of public school food service (H.J.R. 948 -- Brennan).

c. The teacher tenure law (S.J.R. 621 -- Royall).

d. Providing teachers with duty-free periods (S.J.R. 697 -- Speed).

e. Continuation of study regarding purchase of buses in lieu of contract transportation, and other school bus transportation matters (no 1981 resolution).

(8) Campaign financing and reporting (H.J.R. 975 -- D. Clark).

(9) State's interests in railroad companies and railroad operations (H.B. 1069 -- J. Hunt).

(10) Matters related to insurance, including:

a. Insurance regulation (H.B. 1071 as amended -- Seymour), including the feasibility of establishing within the Department of Insurance a risk and rate equity board.

b. How the State should cover risks of liability for personal injury and property damage (H.J.R. 1198 -- Seymour).

c. Credit insurance (H.J.R. 1328 -- Barnes).

(11) Matters related to public property, including:

a. Development of a policy on State office building construction (H.J.R. 1090 -- Nye).

b. The potential uses and benefits of arbitration to resolve disputes under State construction and procurement contracts (H.J.R. 1292 -- Adams).

c. The bonding requirements on small contractors bidding on governmental projects (H.J.R. 1301 -- Nye).

d. Continue study of the design, construction and inspection of public facilities (S.J.R. 143 -- Clarke).

e. Whether the leasing of State land should be by competitive bidding (S.J.R. 178 -- Swain).

(12) Allocation formula for State funding of public library systems (H.J.R. 1166 -- Burnley).

(13) Economic, social and legal problems and needs of women (H.R. 1238 -- Adams).

(14) Beverage container regulation (H.J.R. 1298 -- Diamond).

(15) Scientific and technical training equipment needs in institutions of higher education (H.J.R. 1314 -- Fulcher).

(16) Role of the State with respect to migrant farmworkers (H.J.R. 1315 -- Fulcher).

(17) Existing State and local programs for the inspection of milk and milk products (H.J.R. 1353 -- James).

(18) Laws authorizing towing, removing or storage of motor vehicles (H.J.R. 1360 -- Lancaster).

(19) Annexation laws (S.J.R. 4 -- Lawing).

(20) Laws concerning obscenity (House Committee Substitute for S.B. 295).

(21) The feasibility of consolidating the State computer systems (S.J.R. 349 -- Alford/H.J.R. 524 -- Plyler).

(22) Laws pertaining to the taxation of alcoholic beverages and the designation of revenues for alcoholism

education, rehabilitation and research (S.J.R. 497 -- Gray).

(23) Regional offices operated by State agencies (S.J.R. 519 -- Noble).

(24) Continue study of laws of evidence (S.J.R. 698 -- Barnes).

(25) Continue study of ownership of land in North Carolina by aliens and alien corporations (S.J.R. 714 -- White).

(26) Rules and regulations pertaining to the Coastal Area Management Act (S.J.R. 724 -- Daniels).

(27) Transfer of Forestry and Soil and Water from Department of Natural Resources and Community Development to Department of Agriculture (H.B. 1237 -- Taylor).

(28) Continue sports arena study (H.J.R. 1334 -- Barbee).

(29) State investment and maximum earning productivity of all public funds (H.J.R. 1375 -- Beard).

Sec. 2. For each of the topics the Legislative Research Commission decides to study, the Commission may report its findings, together with any recommended legislation, to the 1982 Session of the General Assembly or to the 1983 General Assembly, or the Commission may make an interim report to the 1982 Session and a final report to the 1983 General Assembly.

Sec. 3. The Legislative Research Commission or any study committee thereof, in the discharge of its study of insurance regulation under Section 1(10)a. of this act, may secure information and data under the provisions of G.S. 120-19. The powers contained in the provisions of G.S. 120-19.1 through

G.S. 120-19.4 shall apply to the proceedings of the Commission or any study committee thereof in the discharge of said study. The Commission or any study committee thereof, while in the discharge of said study, is authorized to hold executive sessions in accordance with G.S. 143-318.11(b) as though it were a committee of the General Assembly.

Sec. 4. This resolution is effective upon ratification.

In the General Assembly read three times and ratified, this the 10th day of July, 1981.

JAMES C. GREEN

James C. Green

President of the Senate

LISTON B. RAMSEY

Liston B. Ramsey

Speaker of the House of Representatives

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1981

SENATE JOINT RESOLUTION 497
Second Edition Engrossed 5/7/81

Sponsors: Senators Gray; Royall, Hancock, Jernigan, Garrison,
Jordan, Ward, Mills, Marvin, Wynne, Creech and Walker.

Referred to: Rules and Operation of the Senate.

May 1, 1981

1 A JOINT RESOLUTION DIRECTING THE LEGISLATIVE RESEARCH COMMISSION
2 TO STUDY THE LAWS PERTAINING TO THE TAXATION OF ALCOHOLIC
3 BEVERAGES AND THE DESIGNATION OF REVENUES FOR ALCOHOLISM
4 EDUCATION, REHABILITATION AND RESEARCH.

5 Whereas, the Mental Health Study Commission, under the
6 direction of the General Assembly, has conducted a study of the
7 delivery of alcohol abuse and alcoholism services; and

8 Whereas, in the process of its study the following
9 observations were made:

10 (1) There is significant variation across the State in
11 the amount of Alcohol Beverage Control revenues (taxes and
12 profits) available to local alcoholism programs;

13 (2) There was an estimated \$125 million alcohol
14 beverage tax collected at the local and State level during 1978-
15 1979 and only \$3.5 million of that money was designated for
16 alcoholism;

17 (3) None of the taxes collected on the sale of beer or
18 wine are designated for alcoholism services;

1 [S-(4) The funds derived from taxes collected on a
2 local basis are used for various purposes including law
3 enforcement purposes.]

4 ~~[S-47]~~[S-(5) Alcoholism is a primary health problem,
5 which can be treated cost-effectively in community-based programs
6 and additional revenues are needed to expand such services; and

7 Whereas, the Mental Health Study Commission was not
8 authorized to address questions directly pertaining to finance
9 and revenue;

10 Now, therefore, be it resolved by the Senate, the House of
11 Representatives concurring:

12 Section 1. That the Legislative Research Commission be
13 directed to study the laws that pertain to the taxation of
14 alcoholic beverages including beer, fortified and unfortified
15 wine and spirituous liquors. Such study shall include
16 consideration of increasing the revenues (taxes and profits)
17 allocated to alcoholism education, research and rehabilitation by
18 (a) increasing the allocation of currently collected revenues or
19 (b) increasing the revenues on some or all types of beverages, or
20 both~~[S-4]~~[S-; and further, the study shall include consideration
21 of revenues that are being used on a local basis including funds
22 used for law enforcement purposes.]

23 Sec. 2. The Legislative Research Commission is directed
24 to appoint to any committee established to undertake this study
25 at least two members of the House Finance Committee and at least
26 two members of the Senate Finance Committee in addition to any
27 other appointments it may choose.

1 Sec. 3. The Legislative Research Commission is directed
2 to develop recommendations and legislation to be presented in an
3 interim report to the 1981 General Assembly, Second Session, if
4 it so chooses and if a second session is held. The final report
5 on the study shall be presented to the 1983 General Assembly.

6 Sec. 4. This resolution is effective upon ratification.
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PERSONS APPEARING BEFORE THE COMMITTEE

Ben L. Dixon, Division of Mental Health, Mental Retardation and
Substance Abuse Services

William L. Johnson, Jr., Lee-Harnett Mental Health

Don Morrison, Lee-Harnett Mental Health

Rita Arundell, Charlotte Drug Education Center

Chris Jones, Charlotte Drug Education Center

Sam Johnson, The Wine Institute

John Jordan, North Carolina Association of ABC Boards

John M. Alexander, Chairman, Wake County ABC Board

Bill Hester, State ABC Commission

Guy Potts, State ABC Commission

T. Jerry Williams, North Carolina Restaurant Association

Gary Bowers, North Carolina Convenience Stores Association

Ernest Ball, North Carolina League of Municipalities

Sneed High, North Carolina Association for Wine

Anthony Mulvihill, United Health Services

Steve Hicks, Division for Mental Health, Mental Retardation and
Substance Abuse Services

Lynn Gunn, Mental Health Study Commission

James F. Emmert, Charlotte Treatment Center

Angie McMillan, Division of Mental Health, Mental Retardation and
Substance Abuse Services

Joe Wall, North Carolina Association of ABC Boards

Rebecca Brownlee, North Carolina Association for Drug Abuse
Prevention

Roy Sisk, Surry-Yadkin Mental Health Center

Phil Greenhill, North Carolina Council on Alcoholism

Kenneth C. Mills, Center for Alcohol Studies, UNC

Dan E. Beauchamp, School of Public Health, UNC

Mark Davis, The Wine Institute

Harold N. Bynum, Miller Brewing Company

Ann Sawyer, Institute of Government

Bob A. Surratt, Alcohol Law Enforcement Division
Maurice Carter, Wake County ABC Board
Robert Massey, Wake County ABC Board
Scott Mall, Miller Brewing Company
J. Ruffin Bailey, N. C. Beer Wholesalers Association
Thomas D. Zweigart, State ABC Commission
Richard R. Juby, Distilled Spirits Council
C. Ronald Aycock, North Carolina Association of County Commissioners
Robert H. Massey, Wake County ABC Board
W. H. Anthony, Chief, Wake County ABC Law Enforcement
Jim Stutts, United States Brewers Association
Richard Ghovens, North Carolina Beer Wholesalers Association
Harry G. Long, Jr., North Carolina Pastoral Care Council on
Alcohol and Drug Abuse
Lee Welch, North Carolina Coalition of Alcoholism and Drug Abuse
Groups
Paul Zipin, Office of State Budget

Recommendation 1Fiscal Report
Fiscal Research Division
December 14, 1982Explanation of Recommendation:

Increases state excise tax on unfortified wine from 21¢ per liter (79.5¢ per gallon) to 26¢ per liter (98.4¢ per gallon) and fortified wine from 24¢ per liter (90.9¢ per gallon) to 34¢ per liter (128.7¢ per gallon), effective October 1, 1983. All of the additional receipts would be distributed to all 100 counties on a per capita basis. The first distribution would occur during the 1984-85 fiscal year.

Fiscal Effect:

Would increase state excise tax collections by (8 collection months) \$1.34 million for 1983-84 and \$2.10 million for 1984-85. The amount distributed to counties during the 1984-85 fiscal year would be \$1.85 million (based on October 1, 1983-September 30, 1984 collections period).

